



HammondAssociates
INSTITUTIONAL FUND CONSULTANTS, INC.

Kentucky Public Pension Working Group

Hammond Associates Overview

July 23, 2008

Richard P. Marra

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Jerry Woodham

Director of Public Retirement Plans Practice

Timothy D. Westrich, CFA

Associate Consultant

Hammond Associates

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Consulting Team

Richard P. Marra

- Director of Corporate Retirement Plan Practice, a Principal Consultant, and Shareholder
- 11 years relevant experience with Smurfit-Stone Container Corporation and Hammond Associates
- BS in Management from Boston College

Jerry Woodham

- Director of Public Retirement Plans Practice, Co-Chair of Higher Education Practice, Principal Consultant, and Shareholder
- Over 20 years relevant experience
 - 3 years CIO of \$5.0 billion San Diego County Pension Plan
 - 20 years CIO experience with 2 large research universities
- MBA in Finance from Chapman University and BS in Economics from the University of Missouri

Timothy Westrich, CFA

- Associate Consultant
- 5 years of financial industry experience
- BSBA in Finance/Banking and Real Estate from the University of Missouri and CFA Charterholder

Today's Objectives

- Introduce you to **Hammond Associates**
- Discuss your objectives, expectations, and requirements
- Demonstrate that our firm is well positioned to provide a customized and educational approach to investment management
- Provide an overview of the Hammond Associates investment philosophy
- Share insight into industry best practices
- Answer any additional questions you might have

Established Firm

- Firm

- Founded in 1985
- National Practice
- 118 Employees
- 40 Employee-Shareholders
- Proprietary Research
- Consult to Over \$59 Billion in Total Assets

Hammond Associates brings extensive experience, depth of understanding, and stability to all of our relationships

- Practice Disciplines

- Higher Education
- Foundations
- Health Care
- CIO Outsourcing
- Pension Plans
- Private Wealth Clients

- Clientele

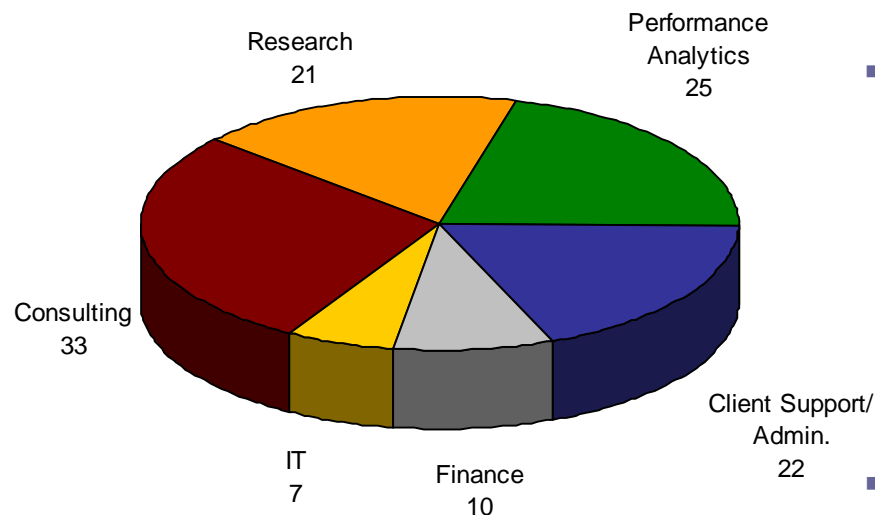
- 94.8% Institutional Client Retention¹
- 92% Top Half Performance in Wilshire Total Fund Universe Over 5-Year Period

¹ It is not known whether our clients approve or disapprove of Hammond Associates or the advisory services provided.

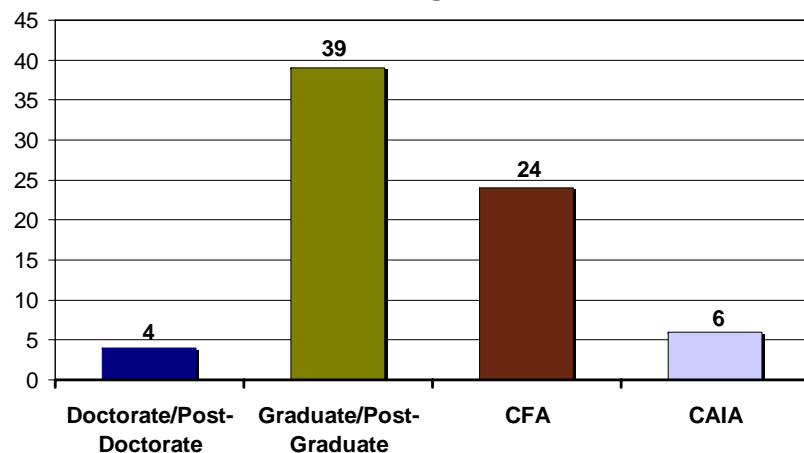
² Please refer to Client Performance charts on pages 8-9 and Important Disclosures on page 12 for more information.

Hammond Staff Highlights

118 Staff Members



Staff with Advanced Degrees/Certifications



Extensive Investment Experience

7 Former Chief or Senior Investment Officers

- Anheuser-Busch
- Saint Louis University (2)
- San Diego County Employees Retirement Association
- Smurfit-Stone Container Corp.
- Southern Company
- Vanderbilt University
- Washington University (2)

16 Current and former Non-Profit Investment Committee and Board memberships (Six Chairmanships)

- | | |
|-----------------------------------|----------------------------------|
| - Babson College | - Missouri United Methodist Fdn |
| - Central Methodist University | - Sanford-Brown College |
| - Community School | - St. Louis College of Pharmacy |
| - High Net Worth Family & Charity | - St. Louis County Retirement Bd |
| - Mary Institute Country Day | - St. Louis Priory School |
| - Maryville University | - St. Louis Public Library Fdn |
| - Missouri Historical Society | - St. Louis Science Center |
| - Missouri Foundation for Health | - St. Louis Univ High School |

Our Clientele

PENSIONS (\$25.1bn)

Corporate

Archdiocese of Dubuque
Avera Health System
Bunzl USA, Inc.
Catholic Foundation for E. So. Dakota
Covenant Health Care
Credit Union Benefits Services
CUNA Mutual Group
Dallas Theological Seminary
Graybar Electric Company
Les Schwab Tires
Mercy Medical Center Retirement
Retirement Plan for the Employees of Royal Gorge Co.
Roman Catholic Diocese of Paterson
St. Louis Symphony Orchestra
Sisters of the Good Shepherd
Snap-on Incorporated
Texas Methodist Pension Board
The University of Texas M.D. Anderson Cancer Center
Wellmont Health System

Public

City of Joplin Police & Fire
Houston Police Officers' Pension System
Prince William County Police & Fire
Teachers' Retirement System of Louisiana

Taft-Hartley

Local 202 – Sheet Metal Workers

HIGHER EDUCATION

(\$15.4bn)

Public

Ball State University Foundation
Boise State University Foundation
Dalton State College Foundation
East Tennessee State University Foundation
Eastern Illinois University
Eastern Illinois University Foundation
Emporia State University Foundation
Florida Atlantic University Foundation
Florida Gulf Coast University Foundation
Michigan State University Foundation
Michigan Tech Fund
Missouri State University Foundation
Minnesota State University – Mankato Foundation
Oklahoma St. Regents for Higher Education
Old Dominion University Foundation
Rutgers University
Southern Illinois University Edwardsville Foundation
Texas State University – San Marcos Development Fdn.
Texas Tech University
University of Alabama System
University of New Mexico Foundation
University of North Texas Foundation
University of Oregon Foundation
Washington State University Foundation
Western Illinois University Foundation

Independent

Baker College
Baylor University
Bucknell University
Carleton College
Central Methodist University
Christian Brothers College High School
Colgate University
Concordia College
Cornell College
Dallas Theological Seminary
DePauw University
Grand View College
Greenville College
Harding University
Illinois Wesleyan University
John Brown University
Lebanese American University
Lenoir-Rhyne College
Luther College
Maryville College
Meadville Lombard Theological School
Messiah College
Millikin University
Montgomery Bell Academy
Moravian College
Morningside College
Mount Mercy College
Muhlenberg College
Park Tudor School
Ranken Technical College
Ransom Everglades School
Regent University
Rochester Institute of Technology
Rollins College
St. Louis University High School
St. Olaf College
Simmons College
Simpson College
Texas Lutheran University
The Abbey of Saint Mary and Saint Louis
Trinity Christian Academy
University of Rochester
Wartburg College
Westminster College
William Jewell College
Wittenberg University

Note: This list includes all institutional clients, except for individuals, and those requesting confidentiality. It is not known whether the listed clients approve or disapprove of Hammond Associates, or the advisory services provided. Inclusion of a client on the list does not imply that the client endorses or recommends Hammond Associates as an investment advisor. Performance based criteria were not used in determining which clients to include on the list.

Our Clientele *(continued)*

PRIVATE WEALTH

(\$6.2bn)

Springdale, AR	Chicago, IL
Paradise Valley, AZ	Leawood, KS
Scottsdale, AZ	Weston, MA
San Francisco, CA	Portland, ME
Keystone, CO	Baltimore, MD
Boca Grande, FL	Columbia, MO
Coral Gables, FL	Liberty, MO
Lakeland, FL	Patton, MO
Miami, FL	St. Louis, MO
Naples, FL	Warrenton, MO
St. Petersburg, FL	Lebanon, NJ
Vero Beach, FL	Westfield, NJ
Cedar Rapids, IA	New York, NY
Marion, IA	Dallas, TX
Spirit Lake, IA	Hunts Point, WA

HEALTH CARE (\$2.4bn)

Avera Health System
Baptist St. Anthony's Health System
Bethesda Hospital Foundation, Inc.
Children's Hospital of The King's Daughters
Covenant Health
Covenant HealthCare
Iowa Eye Institute
Mercy Medical Center
Mercy Medical Center Foundation
St. Anthony's Medical Center Foundation
Scottsdale Healthcare
Wellmont Health System
Wesley Retirement Services, Inc.

FOUNDATIONS & OTHER NON-PROFITS (\$10.0bn)

Community

Albuquerque Community Foundation
Arkansas Community Foundation
Community Foundation of Broward
Community Foundation of Greater Flint
Dade Community Foundation/DadeFund
Greater Cedar Rapids Community Foundation
Greater Des Moines Community Foundation
The Norfolk Foundation
Madison County Community Foundation
Rochester Area Community Foundation
Santa Barbara Foundation
The Community Foundation, Inc.(Jacksonville)

Public

Archdiocese of Dubuque
Boys Hope Girls Hope Foundation
Catholic Foundation for Eastern South Dakota
Dallas Seminary Foundation
Donald Danforth Plant Science Center
Foundation for the Flint Cultural Center
Holston United Methodist Home for Children
Lutheran Social Services
Missouri United Methodist Foundation
Roman Catholic Diocese of Paterson
St. Mary's Home
St. Peter's Cemetery Trust
St. Peter's Church
Sequoyah Council, Boy Scouts of America
Shedd Aquarium Society
Sisters of the Good Shepherd
Sisters of the Humility of Mary
Tanager Place Endowment Foundation
Texas Methodist Foundation
The Salvation Army
The Oklahoma United Methodist Foundation
United Methodist Church – GBCS
United Methodist Foundation of Louisiana
United Methodist Foundation of Northern Illinois

Private Foundations & Other Non-Profits

Caribbean Court of Justice
Charles Stewart Mott Foundation
Committee to Protect Journalists
Deaconess Foundation
Flight Attendant Medical Research Institute
Ganna Walska Lotusland
Ginger Murchison Foundation
Harold Grinspoon Foundation
Healthcare Georgia Foundation
Iowa West Foundation
LCU Foundation
LGM Grandchildren's Trust
Lupe Murchison Foundation
National Marrow Donor Program
Philharmonic Center for the Arts
Pi Beta Phi Fraternity
Powell Foundation
St. Louis Symphony Orchestra
St. Luke's Lutheran Health Ministries, Inc.
St. Mary's United Methodist Church Foundation
Samuel Roberts Noble Foundation
The Grable Foundation
The Lennox Foundation
The Partnership for a Drug-Free America
The Saemann Foundation
Wellmont Foundation
William R. Watts Foundation

Note: This list includes all institutional clients, except for individuals, and those requesting confidentiality. It is not known whether the listed clients approve or disapprove of Hammond Associates, or the advisory services provided. Inclusion of a client on the list does not imply that the client endorses or recommends Hammond Associates as an investment advisor. Performance based criteria were not used in determining which clients to include on the list.

Client Rankings – All Institutional Portfolios

(Clients greater than \$10 million (as of: 3/31/2008))

Hammond Associates' Institutional Client Quartile Rankings

Russell/Mellon Total Universe					
Quartile	1 Year	3 Years	5 Years	10 Years	
1	51%	62%	72%	67%	
2	42%	30%	15%	29%	
3	6%	4%	8%	4%	
4	1%	4%	5%	0%	
HA Observations		99	65	24	
Russell/Mellon Observations		495	411	300	

Hammond Associates' institutional clients have fared well versus the Russell/Mellon Total Fund Universe over the past 1-, 3-, 5-, and 10-year periods. For example, 93% of our institutional clients rank in the top half vs. the Russell/Mellon Total Fund Universe for the 1-year period ending March 2008, 92% rank in the top half over the three-year period, 87% rank in the top half over the five-year period, and 96% rank in the top half over the ten-year period.

Hammond Associates' Client Returns - All Institutional Portfolios >\$10MM

As of 03/31/2008	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Median	3.3	9.8	14.4	8.0
Low	-3.2	4.3	3.2	6.2
High	14.3	12.8	19.0	9.1
Observations	142	99	65	24
70% S&P 500/30% Lehman Aggregate	-1.2	5.8	9.4	4.5

Notes: Numbers may not add to 100% due to rounding. Performance is ranked net of management fees and expenses. Includes all Hammond Associates' institutional clients with assets greater than \$10MM and a Hammond tenure greater than each respective time period at 3/31/2008. Observations indicates the number of separately advised allocations, not necessarily separate clients as some clients have more than one plan.

Client Rankings – Educational and Foundation Portfolios

(Client greater than \$10 million as of 3/31/2008)

Hammond Associates' Endowment and Foundation Client Quartile Rankings

Russell/Mellon Foundations & Endowments Universe <\$1B				
Quartile	1 Year	3 Years	5 Years	10 Years
1	25%	31%	78%	68%
2	64%	64%	8%	32%
3	10%	1%	8%	0%
4	1%	4%	6%	0%
HA Observations	111	75	50	19
Russell/Mellon Observations	95	80	71	44

Hammond Associates' Educational and Foundation clients have fared well versus the Russell/Mellon Foundations and Endowments Universe (<\$1 billion) over the past 1-, 3-, 5-, and 10-year periods. For example, 89% of our clients rank in the top half vs. the Universe for the 1-year period, 95% rank in the top half vs. the Universe for 3 years, 86% rank in the top half for 5 years, and 100% rank in the top half over the trailing 10 years.

Hammond Associates' Endowment and Foundation Client Returns >\$10MM

As of 3/31/2008	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
Median	3.3	10.0	14.7	8.0
Low	-3.2	4.3	3.2	6.3
High	14.3	12.8	17.2	8.8
Observations	111	75	50	19
70% S&P 500/30% Lehman Aggregate	-1.2	5.8	9.4	4.5

Notes: Numbers may not add to 100% due to rounding. Performance is ranked net of management fees and expenses. Includes all Hammond Associates' endowment and foundation clients with assets greater than \$10MM and a Hammond tenure greater than each respective time period at 3/31/2008. Observations indicates the number of separately managed allocations, not necessarily separate clients as some clients have more than one plan.

Benefits of working with Hammond Associates

Partnership

- Independent and Objective
- Well-established with similar institutions
- Educational emphasis towards Staff and Trustees

Process

- Aligned objectives with client's mission
- Aligned processes to support client's objectives

People

- Highly credentialed and experienced specialist
- High percentage of consultants from client ranks
- Screened to reflect Hammond's values of "client first"

Consulting Team Biographies

Richard P. Marra

Rich is the Director of Corporate Retirement Plans and a Principal Consultant at Hammond Associates. He is a 1983 graduate of Boston College with a BS in Management, concentration in Accounting. Rich is a Certified Public Accountant in the state of New Jersey; status is currently retired. Prior to joining Hammond Associates, Rich was appointed Assistant Treasurer in 1990 and Director of Pension Investments in 1997 at Smurfit-Stone Container Corporation. During the 15 years as Assistant Treasurer he was responsible for managing the capital markets activity of Smurfit-Stone Container Corporation including equity issuance, public debt issuance, asset-backed security issuance, private placement debt issuance and interest rate risk management. During the 9 years as Director of Pension Investments he was a member of the Administrative Committee of the Retirement Plans at Smurfit-Stone Container Corporation, which is responsible for managing investment policy and strategy for \$2.0 billion of defined benefit assets in the United States plans; \$690 million of defined benefit assets in Canadian plans and \$1.1 billion of defined contribution plan assets. Prior to working at Smurfit-Stone Container Corporation, Rich was employed by publisher Simon & Schuster and by the accounting firm PricewaterhouseCoopers. Rich is also a member of the Board of Directors of WestBridge Bank and Trust, located in Chesterfield, Missouri.

Jerry V. Woodham, MBA

Jerry is a Director of our Public Retirement Practice and is a Principal Consultant at Hammond Associates. He holds an MBA in Finance from Chapman University as well as a BS in Economics from the University of Missouri. Before joining Hammond Associates, he served as the Chief Investment Officer for the San Diego County Employees Retirement Association, a \$5.0 billion plan with \$300 million in direct alternative investments. In addition to his experience at San Diego, Jerry spent twenty years working as Chief Investment Officer for two university endowments, Washington University and St. Louis University. From 1996-2001 he served as Treasurer and Chief Investment Officer at St. Louis University where he was responsible for managing the institution's endowment and operating funds, which totaled \$1 billion and included more than \$200 million in direct alternative investments. From 1981-1996 he served as the Treasurer and Chief Investment Officer at Washington University. At that time endowment assets exceeded \$3 billion, including nearly \$500 million in direct alternative investments. In addition to his Chief Investment Officer positions, he also spent seven years (1989-1996) on the Commonfund Alternative Equity Committee. Jerry has served as Board member and Chairman of the Board for Firststar Mutual Funds, and as President and Chairman for Mercantile Mutual Funds. He has also served as a member of the Investment and Finance Committees for the Missouri Historical Society and Mary Institute and Country Day School.

Timothy D. Westrich, CFA

Tim is an Associate Consultant at Hammond Associates. He holds a BSBA in Finance/Banking and Real Estate from the University of Missouri. Prior to joining Hammond Associates, Tim was an Analyst in the Investment Banking department at A.G. Edwards, working in the Financial Institutions and Real Estate Group. Prior to joining A.G. Edwards, Tim was an Analyst in the Public Finance department at Edward Jones. Tim has earned the Chartered Financial Analyst (CFA) designation and is a member of the CFA Institute and CFA Society of St. Louis.

Important Disclosures

Past performance is not indicative of future results. Individual client returns may vary based on timing of recommendation and/or timing of implementation. All client portfolios may experience gain or loss. Actual client returns presented herein are net of fees, which may include the following: brokerage commissions, investment management fees, custodial fees, and advisory fees. The portfolios included in client return data represent all non-discretionary and discretionary institutional, non-taxable accounts advised during each time period. Most Hammond Associates clients are non-discretionary consulting clients to whom Hammond Associates provides recommendations regarding asset allocation and investments. Accordingly, those clients, not Hammond Associates, select their asset allocations and specific investments. The returns used herein assume reinvestment of dividends and other earnings. All returns are net of additions and withdrawals to the accounts. Returns represent the performance of current client portfolios and excludes the performance of ex-client portfolios. It excludes assets for which we do not advise or simply report performance. This data is used for informational purposes only to illustrate Hammond Associates' experience with providing advisory consulting services to institutional clients over various time periods. The Standard & Poor's 500 Index and the Lehman Aggregate Bond Index are used in this document to illustrate market conditions for the relevant time periods. Hammond Associates began recommending alternative investments (including hedge fund investments) in 2001. Not all clients included in these returns pursued the same investment strategy or employed the same asset allocation.

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